

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /164 W

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5978

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY ROME

C O N F I D E N T I A L TEHRAN 2612

STATE ALSO FOR T/IEP

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: IRAN EXPANSION PLANS AND GAS DEVELOPMENTS: SITREP

REF: A) TEHRAN 7377 OCT 20, 73 B) TEHRAN 1157

1. EXPANSION PLANS FOR 1974 CALL FOR ADDING 700,000 B/D TO PRESENT CAPACITY OF 5.8 MMB/D. TO DATE, THERE HAS BEEN NO INDICATION THAT 1974 STAGE OF EXPANSION, WHICH HAS BEEN BUDGETED, WILL BE SCALED DOWN. THE 1975 PROGRAM, HOWEVER, WILL ALMOST CERTAINLY BE REDUCED IN LINE WITH NIOC INSTRUCTIONS TO OSCO TO SET LOWER PEAK CAPACITY GOAL.

2. OSCO MANAGING DIRECTOR MILNE RECENTLY TOLD EMBOFF THERE ARE NOW SIX GAS-INJECTION SECONDARY RECOVERY PROJECTS IN FIRM
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1974 BUDGET. WE UNDERSTAND FLOUR IS NOW DOING STUDY TO DETERMINE AMOUNT OF GAS THAT WLL BE NEEDED FOR SECONDARY

RECOVERY. NOW SEEMS CERTAIN THAT THERE WILL NOT BE ENOUGH ASSOCIATED GAS FOR BOTH TRANSCO PROJECT AND SECONDARY RECOVERY-- AND PERHAPS NOT FOR LATTER ALONE.

3. NEVERTHELESS, TRANSCO PROJECT IS NOT DEAD YET. IN JANUARY NIOC INSTRUCTED NIGC TO SEEK A NUMBER OF CHANGES IN THE TRANSCO-NIGC CONTRACT. TRANSCO AND NIGC ARRIVED AT A COMPROMISE, WHICH NIGC IS NOW TRYING TO SELL TO NIOC BOARD AND COUNCIL OF MINISTERS. WHETHER NIGC WILL SUCCEED REMAINS AN OPEN QUESTION. OSCO AND SOME IN NIOC OPPOSE TRANSCO PROJECT PRECISELY ON GROUNDS OF GAS AVAILABILITY.

4. OTHER GAS EXPORT PROJECTS, WITH ONE POSSIBLE EXCEPTION (PARA D BELOW), NOW CLEARLY DEPEND ON PROVING-UP SUFFICIENT RESERVES OF NON-ASSOCIATED GAS. THESE PROJECTS ARE AS FOLLOWS:

A) KALINGAS, LED BY J.F. PRITCHARD (SUBSIDIARY OF ISC CORP.), IS COMPLETING ITS MUCH-DELAYED CONFIRMATION WELL IN THE "C-STRUCTURE", OFFSHORE NEAR BUSHEHR. OBVIOUSLY DATA IS NOT YET SUFFICIENT TO TALK OF PROVEN RESERVES, BUT PRITCHARD AND NIGC ARE TALKING OF RESERVES UP TO 100 TRILLION CUBIC FEET, WHICH WOULD BE MORE THAN FIVE TIMES THE AMOUNT KALINGAS WILL NEED FOR ITS 1.2 BILLION CF/D LNG EXPORT PROJECT.

B) IRAN-FRG-USSR SWITCH: OUR INFORMATION IS SAME AS BONN'S, NAMELY, THAT PARTIES HOPE TO HOLD TRIPARTITE DISCUSSIONS IN APRIL. VARIOUS IDEAS ABOUT TERMS OF PACT HAVE BEEN REPORTED ELSEWHERE, INsofar AS THEY ARE KNOWN. DETAILED DISCUSSIONS HAVE NOT AS YET BEEN HELD.

C) ENI STUDIES ON GAS EXPORTS TO EUROPE: AT LAST REPORT, NIGC DOES NOT YET HAVE FULL STUDIES FROM ENI. PROJECT OF PIPELINE TO EUROPE AND/OR PIPELINE TO TURKISH PORT FOR LIQUEFACTION (FOR WHICH COMBINATION SHAH HAS MENTIONED FIGURES OF UP TO 40 BILLION CUBIC METERS PER YEAR) DEPEND ON RESULTS OF STUDIES AND IDENTIFICATION OF SOURCES OF GAS. ONE POSSIBLE SOURCE WOULD BE EGOCO AREA, NEAR KANGAN, SOUTH OF BUSHEHR. THERE ARE RUMORS OF LARGE DISCOVERIES THERE, BUT TO DATE ONLY THREE WELLS--ALL GAS PRODUCERS-- HAVE BEEN COMPLETED, EACH IN A CONFIDENTIAL
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DIFFERENT STRUCTURE. RUHRGAS AND GAZ DE FRANCE ARE ASSOCIATED WITH ENI IN THIS PROJECT. ELPASO (U.S.) AND SOPEX-DISTRIGAS (BELGIUM) ARE CONDUCTING PARALLEL STUDIES ON SAME PROJECT.

D) TEXAS EASTERN IS DISCUSSING WITH NIOC AND AFFILIATES A PROJECT TO RECLAIM NATURAL GAS LIQUIDS FROM ASSOCIATED GAS (APPARENTLY FROM CENTRAL AND NORTHERN AGREEMENT AREA FIELDS). PLAN WOULD BE TO EXPORT SOME NGL'S, DELIVER OTHERS TO NPC FOR PETROCHEMICAL FEEDSTOCKS AND RETURN DRY GAS TO NIOC FOR GAS INJECTION. NPC WILL OPPOSE THIS UNLESS ALLNGLS'S ARE USED

FOR PETROCHEMICAL FEEDSTOCK IN IRAN.

E) A POSSIBLE FRENCH LNG PROJECT WAS MENTIONED IN THE FRENCH-IRANIAN PROTOCOL SIGNED IN FEBRUARY. NO SOURCE OF GAS FOR THIS HAS YET BEEN IDENTIFIED, BUT GAS PRESUMABLY WOULD COME FROM EGOCO (KANGAN) AREA.

F) PHILLIPS CONTINUES TO DRILL FOR GAS ONSHORE NEAR BANDAR ABBAS. THIS MAY EVENTUALLY RESULT IN AN LNG PROJECT.
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